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C O N F I D E N T I A L SECTION 01 OF 04 CARACAS 001067

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TAGS: [ECON](#) [PGOV](#) [VE](#)  
SUBJECT: GIVING MONEY DIRECTLY TO THE PEOPLE: CHAVEZ'  
COMMUNITY COUNCILS

Classified By: ECONOMIC COUNSELOR ANDREW N. BOWEN FOR REASON  
1.4(D)

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Summary  
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11. (C) On April 8, the National Assembly passed the Law on Community Councils (Ley de Consejos Comunales), significantly modifying the allocation of municipal government funds by placing Community Councils at the center of municipal governance. The measure effectively reduces the clout of mayors and existing community organizations. The law also transforms what is currently a decentralized local system of governance into one that is central government-dependent as it creates Presidential Commissions to oversee community projects and council membership. Chavez has announced over USD 1.1 billion in additional direct funds for the councils, USD 223 million to be disbursed via new micro-banks ("Community Banks"). Detractors say the law will breed corruption and follows the centralized Cuban model. Opposition leaders say that it's an election-year strategy to buy votes. The emphasis that Chavez has placed on these Community Councils in his public statements underscores the perhaps distinctive importance of the move for his broader political agenda. End Summary.

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Municipal Government 101  
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12. (C) When the largely pro-Chavez constitutional convention re-drafted the constitution in 1999, it included the concept of "Councils for Public Planning" at the state and municipal level, including Local Councils (CLPP). The CLPPs are part of a multi-layered municipal government structure, which encompasses both elected government structures and planning councils. CLPPs were intended to promote decentralization and ensure public participation in the state and local governments' investment and implementation strategies. A Federal Planning Council was also mandated that would employ a similar function at the national level. The councils were to have wide membership of state, local, and parochial elected officials, ministry representatives, and members of the "organized community." Funding controls, however, were

left in the hands of the elected officials, and very few of the councils were formed. The Federal Council met only as a concession stemming from the April 2002 crisis and, with the subsequent political tensions, never assumed its intended functions. Community Councils (smaller, less defined community groups) were not mentioned specifically in the Constitution.

¶3. (C) Before this new law, CLPPs were the main mechanisms whereby communities presented, voted on, administered projects and received funding. Currently, Mayors chair CLPPs (whose membership includes elected Municipal Council members (concejales), chairs of Parochial Councils (Parroquia is a term for a sub-municipal area, not a religious parish), neighborhood unions, and representatives from Community Councils). Governors and mayors, though currently nearly all Chavez supporters, have been accused in recent years of choking off funding to locally-developed public projects. For example, CLPPs have "Technical Committees" (Salas Tecnicas) that review and approve projects but often, mayors do not adequately fund projects approved by these committees. Whatever funds are not spent on projects are rolled over into general mayoral funds. Funding for CLPPs came from the municipal budget, partly funded by FIDES (Intergovernmental Decentralization Fund) and LAEE (Law on Special Economic Allotments).

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New law on Community Councils

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¶4. (C) The National Assembly passed the Law on Community Councils on April 8. Prior to the law, and after President

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Chavez' urging over the past several months, some 9,000 Councils were established -- the stated goal is of reaching 50,000 Councils nationwide, according to press reports. President Chavez described the effect they would have on the communities as a "positive atomic explosion" and began promoting the Community Council as a new mechanism for directly funding community-proposed projects.

¶5. (C) However, Community Councils are vaguely defined, with no mandated statutes, elected membership, bylaws or methodology for approving projects. According to the President of the National Assembly (AN) Finance Commission, Rodrigo Cabezas, the law defines Community Councils as groups of 200 families for urban areas (20 for rural areas), that will be elected via Citizen Assemblies (an ad hoc local decision-making mechanism vaguely mentioned in the Bolivarian Constitution). To participate in a Community Council, members must have lived in the "community" for six months and be at least 15 yrs old. The councils are charged with electing spokespeople and creating working groups on employment, urban land, water, health, energy, safety, culture, education, and nutrition. However, the law leaves it to each community to decide the size of the district the council will cover (there are no provisos for overlap), the number of spokespeople for each council, and the details of Citizen Assembly operations and project selection.

¶6. (C) The new law shifts Community Councils to the epicenter of "participatory democracy," effectively displacing most other existing mechanisms for incorporating public input into development projects, and subordinating them to the National Presidential Commission for Popular Power. Mayors do not have mandated participation in Community Councils, so they are also shut out. Chavez publicly called for the Community Councils not to compete with established organizations (states and mayors) and one AN deputy said they may do away with Parochial Councils if there is duplicity of functions. (Note: Such warnings hint at the types of friction this law could create. The AN is also considering reforming the laws on planning councils to reconcile with the new Community Councils. End Note.)

¶ 7. (C) De facto, the law replaces autonomous decision-making at the municipal level with a central government-dependent structure, as the Presidential Commission (with sub-commissions at the regional and local level) would approve projects and oversee membership in the councils. Chavez made it clear in his April 9 Alo Presidente speech who would benefit from council funding -- all the members of the first six Community Councils showcased on the program were wearing red shirts. (Note: many existing associations, such as water and land committees, are simply renaming themselves "Community Councils" to obtain their slice of the pie (Septel). End Note.)

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Show me the money!  
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¶ 8. (C) Chavez has already announced USD 1.1 billion additional funds for the Community Councils -- half from a Ministry of Finance fund (Fondo Nacional para el Autogobierno Comunal) and half from a BRV-created company (Empresa Fondo Nacional para el Gobierno Popular). The money, according to a local analyst, comes directly from FIDES and LAEE (given some regulatory changes to these funds for this purpose), and also from PDVSA. This allocation is in addition to regular FIDES state funds, which under the old law mandates 40 percent allocation to municipalities -- 20 percent of which goes to CLPPs (which had Community Council representation). Before this law, Community Councils received no direct funding. Under the new law, FIDES state funds will be allocated: 60 percent for both state and municipality, 20 percent to Parochial Councils, and 20 percent directly to Community Councils. By 2007, Cabezas announced that half of any extra FIDES income will also go to the Community Councils.

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¶ 9. (C) Detractors of the law believe Community Councils will become a breeding ground for corruption, as the only fiscal oversight mechanism for the funds is tasked to the councils themselves. Regardless, the Minister of Popular Participation and Development, Jorge Garcia Carneiro, maintained that "the money is safer in the hands of the people than anywhere else." To administer the initial USD 223 million of Community Council funds, Chavez has announced the creation of 800 "Community Banks" (Bancos Comunales), to be established and operated by the councils. (Note: FIDES President, Richard Canan, has upped this number to 1,000. End Note.) However, before the law was passed by the National Assembly, the AN Finance Committee had already approved USD 67 million for the creation of 200 Community Banks by the Ministry of Popular Economy. The AN banking subcommittee is looking to amend the Banking Law to include special provisions for Community Banks, and already the BRV has announced a USD 297,000 line of credit for each bank.

¶ 10. (C) Micro-lending ventures have a poor history in Venezuela. Two existing micro-banks, the Banco del Pueblo Soberano (Bank of the Sovereign People) and the Banco de la Mujer (Women's Bank), both hailed by Chavez, do not publish financial statements (experts suspect high loan default rates). The Municipal Institute of Popular Credit (IMCP), a micro-lending institution, has a default rate of 66 percent.

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Following the Cuban model  
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¶ 11. (C) Law 91 regulating community councils in Cuba is similar to the newly-assed Venezuelan legislation. Both have neighborhood assemblies to determine membership and are geared toward citizen participation and project creation to benefit the community. Of course, the Cuban model goes much further in one sense, using the Community Councils as

political "base organizaiions" charged with supporting "participatory democracy." Cuban councils, which as a practical mater and in the face of repression of independent civil society, are entirely dominated by the regime help select "candidates" for Cuban-style "electons." The one additional clear overlap between uba and Venezuela is that in both cases the counils will consist of regime supporters: in Cuba because independent civil society is crushed, in Vnezuela because only Chavistas will be allowed to participate

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The "Bolivarianization" of Local Goverment?  
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¶12. (C) Many see the money given to CommunityCouncils as election year handouts for votes. Oposition and government officials have hinted tous that the missions have peaked as far as partiipation and the ability to absorb cash transfers go. Aside from the councils, Chavez is still playig to his lower-class voter base through the creaion of new missions and continued support for ol ones. On March 30, he announced the new MisionMadres del Barrio (mothers of the poor neighborhoods), which will give monthly financial aid (equivalent to 80 percent of minimum wage) to an estimated 41,000 impoverished mothers, many of whom are single and heads of household. One recipient said that "with the money Chavez gave me, I will feed my children," and thanked the president effusively during the mission's opening ceremony. Chavez has similar public events scheduled for the hand-over of the first Community Council checks and in his April 9 Alo Presidente speech, he announced the intitiative as the next big hallmark of his presidency. (Comment: The Community Councils combine the traditional missions with a new form of local self-government, making this a more transcendental initiative than simply another "mission." End Comment.)

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Comment  
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¶13. (C) The Community Council legislation is a major event in the Chavez election year agenda and will feed large amounts of money directly to his voter base. Since presidential commissions approve the projects, the allotment of the money will be directed at those whom the executive wishes. The BRV has played off weaknesses in the existing system (between the CLPPs and mayor, for example) to offer a "solution" for the people. It has also drowned out one of the few decentralized government mechanisms left, replacing it with a diffuse and uncoordinated (yet monitored) substitute. This empowerment will likely have mixed real results, since technical capacity is lacking at the municipal level regardless of organizational structure. However, perception is everything, and as long as the voter base sees money coming their way, Chavez is sure to reap the benefits in the ballot box.

¶14. (C) Despite their apparent disorganization, and not discounting the thesis that the councils are an election year tactical mechanism designed to funnel cash to sectors loyal to the regime, the BRV may have a strategic political agenda here: creating Cuban-style base organizations to control resources and political power from the bottom up. This will push authority and money to the unelected councils totally loyal to Mr. Chavez, and will squeeze out authentically independent civil society. Taking the next step -- using the councils, Castro-style, to control the identification and promotion of political leadership at the base level -- would further increase the dominance of the BRV and Chavez' Fifth Republic Movement. To be sure, there are a number of steps that would have to be taken in the interim. Venezuela is not Cuba. Independent civil society and independent media still exist, even if harassed and occasionally cornered by the

Chavez regime. It will not be a simple task to replicate the institutions of the mature totalitarian Cuban security state.

But in the case of the new Community Councils, it certainly appears that they are trying to do just that.

BROWNFIELD